

COMMONWEALTH OF VIRGINIA



Virginia Enterprise Application Program

FM06 Fixed Assets

Modified Financial Management (FM) and Performance Budgeting (PB) Future State Business Process Best Practice Environment Definition Document

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V3.2

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1. Introduction

This Deliverable documents the collection, analysis, and definition of the high level business process functions and functional requirements of the *Financial Management – Fixed Assets* business area within the Virginia Enterprise Application Program (VEAP). This Deliverable focuses on the business processes and functional requirements identified by the VEAP to satisfy the needs of the Commonwealth's stakeholders and the target users. This document includes the purpose, scope, business reengineering opportunities, process threads, requirements, definitions, and references of this future state environment definition. The Future State Environment Definition Documents provide a critical foundation for the Financial Management and Performance Budgeting solutions as they are the basis for the fit-gap analysis as well as implementation activities including software design and configuration, testing, procedures documentation, training, business process reengineering, and organization design.

1.1 VEAP Background

The Virginia Enterprise Applications Program (VEAP) Vision

- *Provide the Commonwealth with best practice business processes supported by a suite of commercial-off-the-shelf (COTS) enterprise solutions – consistent with Virginia's position as a Best Managed state and a financial and technology leader.*
- *Transform administrative operations by consolidating and modernizing the service delivery models and supporting applications for the Commonwealth's Financial Management, Human Resources Management, Administrative Management, and Supply Chain Management resulting in superior resource management and improved performance.*

Through the Commonwealth's Public Private Educational Facilities and Infrastructure Act (PPEA) of 2002, which brings private sector innovation and investment to state government projects, the Commonwealth has undertaken an initiative to identify areas of the Commonwealth's operations that could be significantly improved by undertaking an enterprise-wide reengineering and resolutioning of business processes common across the Executive Branch of government. The Virginia Enterprise Application Program (VEAP) is one such effort, as part of the initiative, undertaken by the Commonwealth.

The VEAP is a seven year program to consolidate and modernize the business processes and enterprise applications of the Commonwealth of Virginia (COVA). The initiative will enhance efficiency, increase productivity, and provide more effective delivery of services. The Program's scope includes Financial Management; Human Resources Management; Administrative Management; and Supply Chain Management. It is important to remember that VEAP is not just a project to replace old systems with newer technology. The Program also is intended to focus on opportunities to reengineer business practices and to achieve efficiencies whenever possible.

The implementation will be accomplished over a multi-year period and will be managed through phased rollouts. Phase I of the VEAP will result in an integrated, fully-functional Financial Management and Performance Budgeting solution and related business processes. The targeted implementation dates are June 2008 for Performance Budgeting and June 2009 for Financial Management.

Many Commonwealth agencies conduct their business processes - such as accounting, payroll, budgeting, personnel management, and travel - through repetitive systems, leading to inefficiencies, excessive manual input, and

duplication. For example, only eleven percent (11%) of financial transactions made by COVA agencies originate in the Commonwealth's central accounting system, with many agencies using systems that they have acquired or developed in-house over time to suit their specific needs. This has led to fractured processes, multiple systems, time-consuming reconciliation of data, and reduced central oversight. Many of these systems are old, obsolete, and inflexible and have too few staff in both the public and private sectors with the know-how to operate and service them. This limited knowledge base presents a risk to the Commonwealth's administrative operations.

1.2 VEAP Future Vision

During Phase I, the Commonwealth Accounting and Reporting System (CARS) will be replaced and a new statewide Chart of Accounts will be implemented.

The agencies that will be affected by the Phase I implementation are:

- all agencies that currently utilize CARS as their primary accounting system (enter information on-line to CARS) will use the new solution, and
- agencies that currently interface data to CARS will interface to the new solution.

The agencies that will be affected by the implementation of the Performance Budgeting solution are:

- all agencies that currently use PROBUD

Four additional agency legacy financial management systems will be replaced as part of Phase I (Department of General Services, Virginia Employment Commission, Virginia Information Technologies Agency and Virginia Department of Transportation). All other Executive branch, non-higher education agencies that have their own legacy financial management system will be implemented in a future phase of the VEAP.

The Phase I Planning activity is the process of completing the general design and implementation plan for the Financial Management solution. As stated previously, Phase I of VEAP includes Enterprise Financial Management and Performance Budgeting solutions. Future State Environment Definition Documents have been drafted for each of the following business areas:

- General Accounting,
- Purchasing,
- Accounts Payable,
- Accounts Receivable,
- Fixed Assets,
- Cost Accounting,
- Time and Attendance, Labor Distribution, and Leave Accounting, and
- Performance Budgeting

The following agencies were invited to participate in the Workshop Session reviews of the *Future State Environment Definition Document - Financial Management – Fixed Assets* to corroborate and provide input to the proposed business process threads:

- Department of Conservation and Recreation (DCR),
- Department of Corrections - Central Administration (VADOC),
- Department of Corrections - Facility Outside Central Administration (VADOC),
- Department of Game and Inland Fisheries (DGIF),
- Department of General Services - Division of Real Estate Service (DGS),
- Department of Health (VDH),
- Department of Mental Health, Mental Retardation & Substance Abuse Service (DMHMRSAS),
- Department of Motor Vehicles (DMV),
- Department of Social Services (DSS),
- Department of State Police (DSP),
- The Library of Virginia (LVA),
- Virginia Department of Transportation - Asset Management Division (VDOT),

- Virginia Employment Commission (VEC),
- Virginia Museum of Fine Arts (VMFA), and
- Virginia School for the Deaf, Blind and Multi-Disabled at Hampton (VSDBMH).

1.3 Future State Business Process / Best Practice Environment Definition Documents

Completing the Future State Business Process / Best Practice Environment Definition Documents is one of the primary tasks of Phase I Planning. Defining the Future State means addressing and analyzing the best practice business processes, change impacts, organizational design, and functional requirements for each business area. During this effort, CGI and the Commonwealth of Virginia (COVA) will:

- analyze current business processes – review and update business process descriptions documented in the Draft Financial Management (FM) and Performance Budgeting (PB) Future State Business Process / Best Practice Environment Definition Documents,
- identify business process reengineering opportunities,
- define the Future State Environment – document how business processes should be executed with the new enterprise solution, using best practice in conjunction with Commonwealth specific requirements,
- identify any organizational impacts that should be considered with the new enterprise solution,
- validate the functional requirements documented in the Draft Financial Management (FM) and Performance Budgeting (PB) Future State Business Process / Best Practice Environment Definition Documents,
- add necessary requirements,
- remove unnecessary requirements,
- prioritize requirements by business impact,
- identify the organizational impact of the requirements (enterprise-wide vs. agency-specific), and
- finalize the list of functional requirements.

The Final FM & PB Future State Business Process / Best Practice Environment Definition Documents will be used to drive the Fit-Gap Analysis, create several sections of the Final General Design and Implementation Plan deliverable, and develop cost estimates. The document will also be used in subsequent phases of VEAP such as during detailed design and testing. For example, the functional requirements will eventually be further divided into detailed system/technical requirements and used to create test cases/scripts; the defined process threads will drive the execution of business process reengineering efforts during implementation and support the development of training materials.

1.4 Purpose

The Future State Environment Definition Document describes the needs, stakeholders, legal and process reforms, process threads, and functional requirements that should be available in a *Financial Management – Fixed Assets* business process solution. This document identifies the activities associated with the *Financial Management – Fixed Assets* business process threads for the Commonwealth, as well as the stakeholders and users associated with such processes. In addition, this document describes high level business processes along with the functional requirements associated with these business processes. All functional requirements are marked with a priority of (1) Mandatory, (2) Desirable or (3) Optional and are identified as Enterprise or agency-specific where necessary.

1.5 Scope

This particular future state environment document defines the process threads associated with the following business processes:

- Acquire and Maintain Asset Master Record,
- Manage Leases,
- Manage Asset Retirement & Disposal,
- Manage Asset Transfers,
- Manage Asset Depreciation, and

- Manage Physical Inventory.

1.6 Document Outline

The remainder of the document contains the following sections:

Section 2 – Positioning. This section briefly describes the business problems inherent in the current environment and the opportunities for implementation of the Enterprise Resource Planning (ERP) solution.

Section 3 – Stakeholder and User Descriptions. This section identifies the Commonwealth and outside organizations that have a significant stake in the process and the success of the project. The on-going roles and responsibilities are described for the Stakeholders and Users along with their organizations.

Section 4 – Key Product Requirements. This section introduces the future state environment by identifying the three to six overarching business concepts that will be provided by the ERP solution to address major weaknesses in the current environment.

Section 5 – Process Thread Summary. This section documents the specific characteristics of the future state environment. The major business processes are defined within each business area, the key steps in each process, and the specific system capabilities required to support the function in a manner that permits the Commonwealth to meet mandates in an efficient manner.

Section 6 – Process Thread Detail Description. This section describes how each business process thread defined in the previous section is performed in the ERP solution. Each process is described in flowchart and tabular format and each process detail step is numbered sequentially within each process thread.

Section 7 – Data Flow Details. This section details the flows of data both in and out of the business process. The graphics contained in this section identify the impacts to existing systems and processes as they relate to each agency in the Commonwealth.

Section 8 – References. This section contains the sources of information used as references to the business process. The terms used in the document along with the definitions of those terms are also included in this section.

2. Positioning

This section of the Future State Environment Definition Document describes the overall business opportunity for the *Financial Management – Fixed Assets* business process. In addition, this section describes some of the high level changes that need to occur, states the current problems in the existing environment, and identifies the potential benefits that could be achieved through the ERP solution.

2.1 Business Opportunity

The Virginia Enterprise Application Program (VEAP) Team strongly believes that a comprehensive solution to the Commonwealth's business concerns involves much more than simply installing new technology. Rather, a complete solution is the integration of technology, process, people, and approach in a manner that recognizes the unique aspects of the current situation and the future. The solution we envision for VEAP in the area of financial and operational accounting considers all these elements.

The Commonwealth currently relies on numerous systems, applications, and processes to support the *Financial Management – Fixed Assets* business process. The recommended ERP solution would include the following elements:

- a modern, public sector-oriented, integrated Financial System as the core of the new architecture,
- a service delivery organizational structure that recognizes the wide range of differences among the various Commonwealth agencies and provides the flexibility for each agency to execute business processes in the manner and with a staffing structure that best meets its needs, and

- a phased implementation approach that gives the Commonwealth the opportunity to carefully control costs and risks, and to make implementation and rollout decisions based upon both project performance and other future conditions.

At a minimum, this commercially available application would replace Fixed Asset Accounting and Control System (FAACS), Lease Accounting System (LAS) and a significant percentage of the function-specific modules that have been developed by many agencies to address FAACS and LAS deficiencies.

2.1.1 Systems

In addition to CARS, FAACS and LAS, one of the following other systems or applications may support the fixed asset management process at the agency level. Systems will be updated once survey of agencies has been completed.

- | | |
|---------------------------------------|---|
| • Equipment Management System (VDOT), | • Supply/Equipment System, |
| • Major Equipment (VDOT), | • Fixed Asset Inventory and Reporting System, |
| • Oracle, | • ReserveAmerica, |
| • Peoplesoft, | • FME, |
| • FINSYS, | • WMS-21, |
| • Peachtree, | • VDH FandA System, |
| • Excel, | • CRX, |
| • Access, | • VISION, |
| • QuickBooks, | • CSCNet, and |
| • PRISM, | • MAPPER. |

2.1.2 Current State Environment

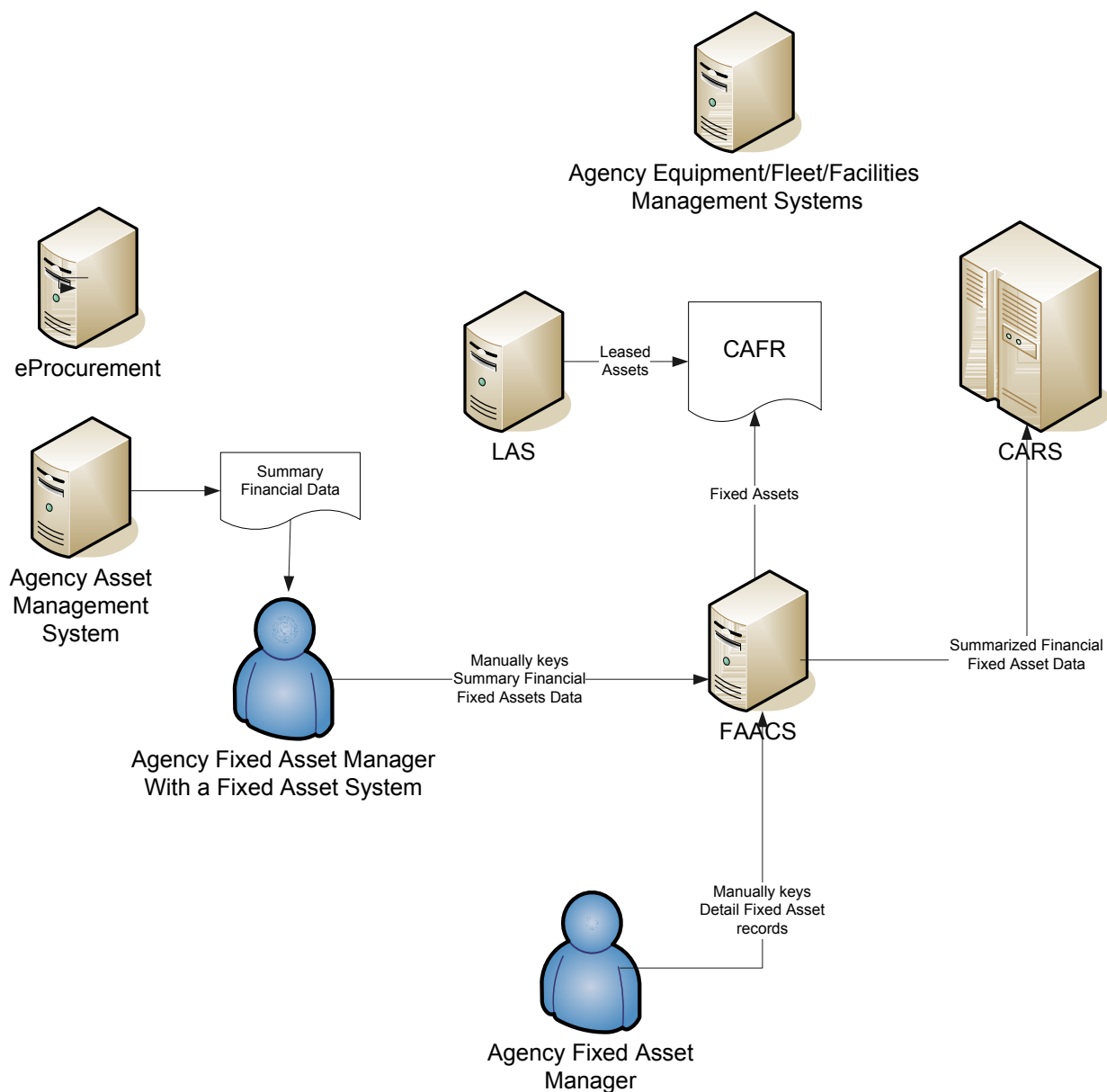
The fixed assets process requires agency staff to periodically enter and update asset data into FAACS/LAS or into agency based financial accounting systems. Central FAACS users are agencies that record detailed fixed asset accounting information in FAACS for all assets owned or leased that meet capitalizable or controllable requirements. Summary FAACS users are agencies that use property management systems (automated or manual) other than FAACS. Asset data from FAACS/LAS is periodically transferred to CARS where it is used for financial reporting. Agency staff must periodically take inventory of assets and update asset information. Once an asset has reached the end of its useful life, agency staff may transfer or retire the asset and remove asset information from FAACS/LAS.

In the current state environment, there is no interface between the eProcurement system and FAACS or LAS. Also, in the current state environment there are no interfaces between FAACS/LAS and the equipment/fleet/facilities management systems utilized by some state agencies.

As illustrated below, the Commonwealth currently relies on numerous systems, applications, and processes to support the *Financial Management - Fixed Assets* business process.

Exhibit 2-1 illustrates the fixed asset and lease accounting current state environment. The purpose of the Commonwealth's fixed asset accounting procedures is to provide information for the Comprehensive Annual Financial Report (CAFR), and to help ensure that property, plant, and equipment are acquired, controlled, and disposed of in the best interests of the Commonwealth. The Fixed Asset Accounting and Control System (FAACS) facilitates this process. Closely related to FAACS is the Lease Accounting System (LAS) which is a personal computer based system.

Exhibit 2-1 - FM06 Fixed Assets - Current State Environment



2.1.3

Future State Environment

Financial Management – Fixed Assets is part of the new ERP's financial management system. At the heart of this Financial Management solution is an integrated financial system with a Fixed Asset module that encompasses best practices to preserve and account for the Commonwealth's assets.

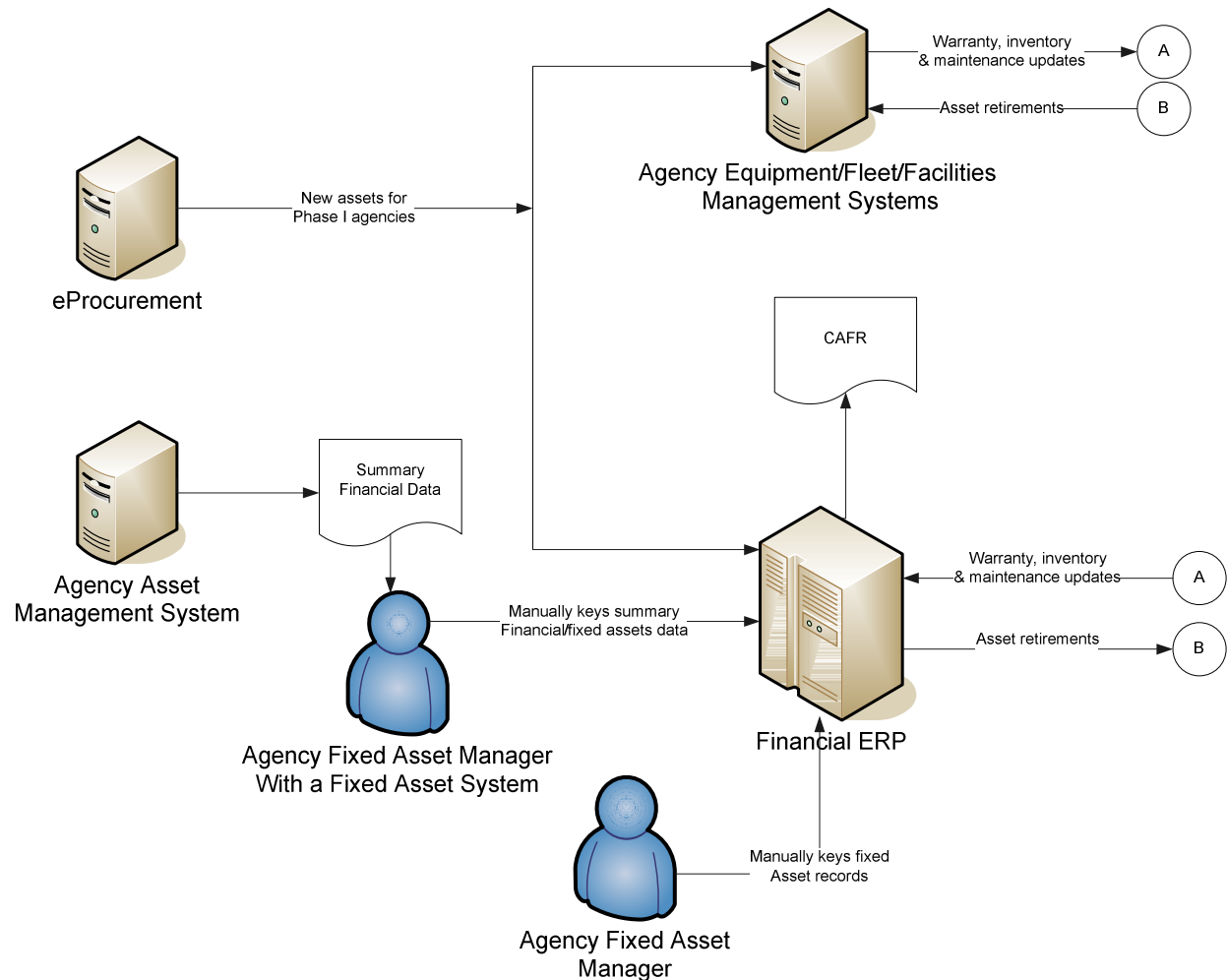
This solution will provide agencies with a central system and standard policies for the management of fixed assets and leases. Additionally, standard reporting tools will be used to extract and consolidate data for statewide reporting such as Quarterly and CAFR FA reporting as well as to accomplish management reporting within the individual agencies. Automation is included to standardize information transfer for processes such as asset procurement, handling of leases, retirement and FA inventory. Elimination of redundant data entry and manual activities is included in this future environment.

The financial management system is part of a program to create a statewide ERP system. This integrated financial management system which includes fixed assets will be implemented in phases. This first phase includes the replacement of FAACS and LAS. An interface from the eProcurement system will provide information for creation of fixed asset master shell records. Also, interfaces to and from current equipment/fleet/facilities management systems will be in the Financial ERP. Future phases will include the replacement of various asset maintenance systems.

Overall, there is a need to create a standardized and evolving process, which continually identifies best practices, techniques, and tools. Through this action the Commonwealth will develop a more efficient and effective approach, the secondary effect of which will be more productive information sharing. The future Commonwealth environment includes the following:

Exhibit 2-2 illustrates the fixed asset future state environment.

Exhibit 2-2 – FM06 Fixed Assets - Future State Environment



2.1.4 Improvement Opportunities

- Reduced data entry and reconciliation efforts will be achieved through increased integration as follows:
 - integration of the Commonwealth-wide Fixed Asset system with agency applications,
 - the Fixed Asset Accounting & Control System (FAACS) and the Lease Accounting System (LAS) are to be replaced by the new ERP which will include fixed asset and lease accounting functionality,
 - combining the Commonwealth-wide Fixed Asset and Capital Lease applications, and integration of both with the procurement/payables solution to increase the efficiency of identifying assets for capitalization and managing,
 - managing and taking inventory,
 - Integration of the Commonwealth-wide Fixed Asset system with surplus property systems to obtain automated gain/loss or trade-in data,
 - Automating depreciation calculation and creating GL accounting entries,

- Providing the ability for on-line entries for acquired assets other than through the procurement process, e.g. donations, etc.,
 - Single point of entry provided for transfers or retirements activities, and
 - providing the ability for entry of warranty information.
-
- Introduction of automated workflow provides increased efficiency.
 - Reduction in effort will be achieved by producing specialized reports through management reporting, decision analytics, and management performance dashboards, as well as a variety of standard reports, inquiries, and tools.
 - Robust visibility and control over capitalizable and other controlled assets will be achieved.
 - Reduction in the effort required to take and manage inventory of assets will be effected through expanded use of bar code (or other) technology for asset tagging.
 - Improved processes and accountability for maintaining responsible party and asset location information will result from integrating the Commonwealth-wide Fixed Asset system with agency equipment/fleet/facilities management applications to automate processes for maintaining asset location, responsible party, and asset condition.
 - Intangible Benefits will include:
 - reduced risk associated with dated applications and aging workforce most familiar with them,
 - a modern technology foundation supporting transition to a Service-Oriented Architecture,
 - a more attractive professional growth environment for financial and technical recruits, and
 - application infrastructure consistent with Virginia's economic development message of technology leadership.

Our proposed solution also recognizes the opportunity to create a fixed asset team within the Shared Service Center. The shared service environment will utilize state-of-the-art techniques and tools in a controlled environment, creating efficiencies in managing and reporting of agency fixed assets. In addition, the Shared Service Center will help agencies adopt standard processes and policies, help agencies share best practices, and support fixed asset processes for smaller agencies with limited staff.

2.2 Problem Statement

The problem/solution statements below identify the overall problems that are apparent for the current environment related to the *Financial Management - Fixed Assets* business process.

Problem	Effect	Impact	Solution	Benefit
1. Multiple systems are used to manage fixed assets. Policies differ among agencies.	<ul style="list-style-type: none"> Lack of consistency and process integration Lack of ability to clearly define what is an asset 	<ul style="list-style-type: none"> Agencies have supplemental, free standing applications to provide functionality not met by CARS, FAACS, and/or LAS. Agencies are using fixed asset systems to solve other business issues such as tracing custodianship of personally-assigned equipment. 	<ul style="list-style-type: none"> Include fixed assets as part of a shared service environment to: <ul style="list-style-type: none"> Develop enterprise standards Develop common repeatable services Support fixed asset processes for smaller agencies Barcode reader or other scanning device technology or scanning device Manage life cycle of product 	<ul style="list-style-type: none"> Reduce or eliminate the need for agency based fixed asset systems currently supporting the management of fixed assets Increase effectiveness/efficiency Improved visibility and reporting of assets
2. Lack of system integration between FAACS, LAS, CARS, and agency based fixed asset systems	<ul style="list-style-type: none"> Duplicate data Inconsistent data Redundant effort 	<ul style="list-style-type: none"> Manual effort is required to support agency specific requirements. Fixed assets and leased assets are managed separately. 	<ul style="list-style-type: none"> Manage fixed and leased asset in a single module Single point of entry for managing assets 	<ul style="list-style-type: none"> Increase end-user efficiency/effectiveness by eliminating manual effort Improved functionality for capital lease accounting by eliminating redundant agency applications
3. Lack of system integration between procurement/ payables system and FAACS	<ul style="list-style-type: none"> Assets are not managed at the point of procurement. 	<ul style="list-style-type: none"> Capital expenditures are erroneously expensed. Redundant data entry is associated with entering fixed assets. Manual effort is required to identify fixed assets that should be entered into FAACS based on object codes of expenditures contained in CARS. 	<ul style="list-style-type: none"> Manage fixed and leased asset in a single module, and integrate the new application with the procurement/ payables solution Identify an asset at the time of procurement rules defined up front 	<ul style="list-style-type: none"> Reduce occurrence of unrecorded or inaccurately valued assets Increase efficiency/effectiveness by reducing the need to manually enter fixed and leased assets Increase timeliness of capture of fixed assets

Problem	Effect	Impact	Solution	Benefit
4. Lack of notification between FAACS and agency equipment and facilities management applications	<ul style="list-style-type: none"> Multiple systems are used to track fixed assets: VAPS, PLATS, FICAS, EMS, FASTER Redundant data entry occurs. 	<ul style="list-style-type: none"> Manual effort is required to update asset information in the fixed asset application. Asset information must be entered into multiple systems. 	<ul style="list-style-type: none"> Have the new fixed asset module notify existing agency equipment and facilities management applications of new assets 	<ul style="list-style-type: none"> Reduce or eliminate the need to manually update asset information maintained in agency source systems Improved control and reporting of assets Reduced data entry
5. Physical inventory relies on manual processes.	<ul style="list-style-type: none"> Physical inventory takes longer than necessary and therefore is not done as often. 	<ul style="list-style-type: none"> Asset data is not as accurate or complete as it could be. 	<ul style="list-style-type: none"> The use of bar coding (or other technology) should be expanded for asset tagging. ERP is going manage the physical inventory process. 	<ul style="list-style-type: none"> Reduce the effort required to take inventory and to improve the quality of asset information
6. FAACS was created in a pre-GASB #34 environment and is not well suited to GASB #34 CAFR format financial reporting.	<ul style="list-style-type: none"> Manual effort to research and reconcile system reports is required. Computation of gain or loss on sale or trade-in of retired assets must be determined by research outside of FAACS. 	<ul style="list-style-type: none"> Period end reports and fiscal year end CAFR production takes longer than necessary. 	<ul style="list-style-type: none"> Fixed asset module reports should be designed to better report information needed for CAFR presentation in more appropriate formats. Fixed asset module should have the capability to compute gain or loss on sale or trade-in of retired assets. 	<ul style="list-style-type: none"> Reduce the effort required to produce period end reports and fiscal year end CAFR More accurate reports Reports automatically created and submitted in appropriate format

3. Stakeholder and User Descriptions

To effectively provide products and services that meet the needs of stakeholders and users, it is necessary to identify and involve all of the stakeholders as part of the ‘future state environment’ for the *Financial Management - Fixed Assets* business process. This section provides a profile of the stakeholders and users involved in the project and the key problems that they perceive will be addressed by the ERP solution.

3.1 Stakeholder and User Definition

A stakeholder is a party who affects, or can be affected by, the Commonwealth's actions in relation to the business process within the Financial Management and Performance Budgeting Processes. The stakeholder concept was developed and championed by R. Edward Freeman in the 1980s. It has gained wide acceptance in business practice and in theorizing relating to strategic management, governance, and business purpose.

Users are widely characterized as the class of people that uses a system without complete technical expertise. However, users have understanding and knowledge of the business process in which the system is used to accomplish the execution of the business process.

3.2 User Summary

This section provides a list of the users involved in the project. This information is used in the following section which describes the user profiles:

- In-Scope Agency Financial Management (FM) Staff,
- Department of Accounts (DOA), and
- Department of General Services (DGS).

3.3 User Profiles

Each unique user of the system is described in this section. User types can be as divergent as experts and novices. For example, an expert might need a sophisticated, flexible tool with cross-platform support, while a novice might need a tool that is intuitive based upon prescribed standards. No attempt is made in this section to distinguish between the different users' requirements.

3.3.1 In-Scope Agency Financial Management (FM) Staff

User Type Name	In-Scope Agency FM Staff.
Representative	In-Scope Agency FM Staff from any agency who manage financial activities.
Description	In-Scope Agency FM Staff is involved in supporting fixed assets activities.
Type	In-Scope Agency FM Staff are users of the system.
Responsibilities	<ul style="list-style-type: none"> • Support fixed assets activities • Provide customer service to agencies and employees • Review and approve asset records automatically created from procurement and accounts payable processes • Tag, record, and assign responsibility to assets • Perform physical inventory counts • Initiate the transfer of assets • Provide asset information to management • Manage and review construction projects (i.e. roadway construction) to ensure proper costs are included in Construction in Progress (CIP) • Ensure completed construction projects are moved from CIP to infrastructure and appropriate useful lives are assigned • Prepare information for the CAFR • Support financial reporting of infrastructure
Success Criteria	<ul style="list-style-type: none"> • The system is useable by trained staff • Ability to retire legacy financial management systems • Standard location of asset data, elimination of duplicate entry and storage, standard policies and procedures
Involvement	<ul style="list-style-type: none"> • Provide knowledge as needed in relation to business processes • Streamline agency specific Fixed Assets policies, procedures, and business processes • Participate in User Acceptance Testing

3.3.2 Department of Accounts (DOA)

User Type Name	Department of Accounts
Representative	DOA employees, specifically those involved in fixed assets.
Description	The staff of the central financial accounting agency for the Commonwealth, specifically those in the General Accounting and Financial Reporting Units.
Type	DOA maintains, supports and uses system.
Responsibilities	<ul style="list-style-type: none"> • Provide financial leadership for the Commonwealth and its workforce • Develop and administer policies and programs for the management of fixed assets • Prepare the Comprehensive Annual Financial Report (CAFR)

Success Criteria	<ul style="list-style-type: none"> • The system is useable by trained staff • Streamlined fixed assets policies and processes are easy to implement, enforce, and monitor • Ability to retire legacy financial management systems • Standard location of asset data, elimination of duplicate entry and storage, standard policies and procedures
Involvement	<ul style="list-style-type: none"> • Provide knowledge as needed in relation to business processes • Streamline agency specific Fixed Assets policies, procedures, and business processes • Participate in User Acceptance Testing

3.3.3 Department of General Services (DGS)

User Type Name	DGS.
Representative	DGS employees, specifically those involved in the management and tracking of fixed assets, the oversight of land and buildings, and the disposal/sale of surplus assets for state agencies.
Description	The staff of the general services agency for the Commonwealth, specifically those in the Fiscal Business Unit, Division of Real Estate Services (DRES), and Division of Purchases and Supply (DPS).
Type	DGS is a user of the system.
Responsibilities	<ul style="list-style-type: none"> • Provide fixed assets services to agencies in the Administrative Secretariat • Oversees the Commonwealth's land and buildings • Oversees and approves the sale of surplus assets <ul style="list-style-type: none"> ○ Receives surplus assets transferred to one of the Distribution Centers ○ Makes surplus assets available to other state agencies, local governments, and school districts ○ Auctions surplus property to the public ○ Records disposal information to the system when process is complete
Success Criteria	<ul style="list-style-type: none"> • The system is useable by trained staff • Streamlined fixed assets policies and processes are easy to implement, enforce, and monitor • Ability to retire legacy financial management systems
Involvement	<ul style="list-style-type: none"> • Provide knowledge as needed in relation to business processes • Streamline agency specific Fixed Assets policies, procedures, and business processes • Participate in User Acceptance Testing

3.4 Stakeholder Summary

The following section provides a list of the groups/parties which can either affect or can be affected by the Commonwealth's actions in relation to the business processes within Financial Management. The table that follows additionally provides information about the type of influence the stakeholder may have, their needs and expectations, success criteria, key challenges/issues/concerns associated with the stakeholder, as well as the risk of not addressing their needs/expectations, and the stakeholder's general interest in the VEAP.

3.5 Appendix B - Stakeholder Profiles

4. Key Product Requirements

While the detailed business and system requirements for the *Financial Management - Fixed Assets* business process are contained within Appendix A, this section emphasizes several high level fixed asset requirements.

Procurement System Integration: The requirements identify processes within the system that link the procurement process to the process for managing and reporting fixed assets. Fixed asset records for purchases initiated via the procurement system can be triggered automatically. Agency fixed asset managers, via system notifications and workflow, can review, approve and complete assets automatically triggered when qualifying purchase transactions occur and eliminate the need to re-key fixed asset data.

Fixed Asset, Leased Asset, General Ledger Integration: The requirements identify a single system for managing fixed and leased assets. Further, the requirements identify the automation of depreciation entries to the general ledger and to increase end-user efficiency and effectiveness by eliminating manual effort.

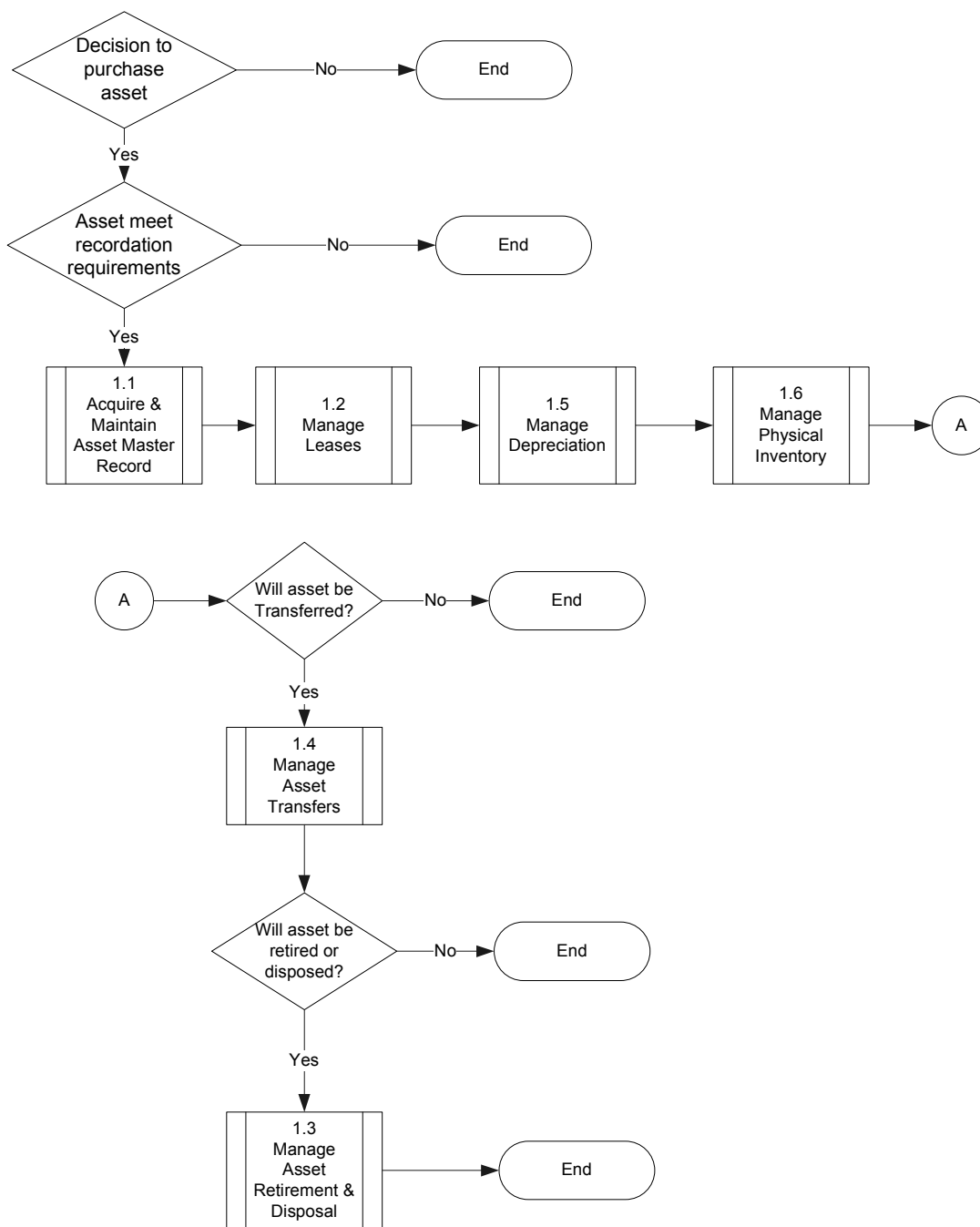
Address Agency Specific Needs: Many agencies have unique reporting requirements. Agencies or programs may require capitalization thresholds or useful lives different from those defined for the majority of agencies. In order to provide all agencies with support for their business needs, the requirements allow the system to provide agencies with their own alternate depreciation and posting process. This approach would enable one system to support reporting and managing of fixed assets differently, as set forth by each agency. Depreciation calculations would be automatically completed, eliminating any manual steps that may be involved in the current environment.

5. Process Thread Summary

This section lists the process threads related to the *Financial Management - Fixed Assets* business process. It provides a general description of the business process and lists governing regulations and policy or procedures related to the *Financial Management - Fixed Assets* business process.

Exhibit 5-1 – FM06 Fixed Assets – Business Process Flow

Exhibit 5-1 – FM06 Fixed Assets – Business Process Flow



Number	Business Thread Name	Description of Business Process Thread	Governing Regulations/Policy
FM06-1.1	Acquire &	The requisitioning, receiving, tagging,	<ul style="list-style-type: none"> CAPP Manual on Asset

Number	Business Thread Name	Description of Business Process Thread	Governing Regulations/Policy
	Maintain Asset Master Record	invoicing, and enabling payment for an asset and the initial creation and ongoing maintenance of asset master records.	Management – Section 30000
FM06-1.2	Manage Leases	The managing and depreciation of leased property classified as capital.	<ul style="list-style-type: none"> • CAPP Manual on Asset Management – Section 30000 • FASB 13
FM06-1.3	Manage Asset Retirement & Disposal	The managing of assets deemed by agencies as no longer needed.	<ul style="list-style-type: none"> • CAPP Manual on Asset Management – Section 30000 • DGS/DPS Agency Procurement Manual • Section 2.2-1124 of the Code of Virginia
FM06-1.4	Manage Asset Transfers	The managing of assets transferred within an agency or to another agency, including DGS' management of surplus assets.	<ul style="list-style-type: none"> • CAPP Manual on Asset Management – Section 30000
FM06-1.5	Manage Asset Depreciation	The periodic calculation of depreciation on all fixed assets and the posting of information to the asset sub-ledger and general ledger. Provide for alternate depreciation and posting process for reporting.	<ul style="list-style-type: none"> • CAPP Manual on Asset Management – Section 30000
FM06-1.6	Manage Physical Inventory	Taking physical inventory to ensure that the fixed assets recorded in the system physically exist, determine if unrecorded or improperly recorded transactions have occurred, and identify any excess, defective or obsolete assets on hand. Include the ability to freeze, count, correct and unfreeze assets.	<ul style="list-style-type: none"> • CAPP Manual on Asset Management – Section 30000

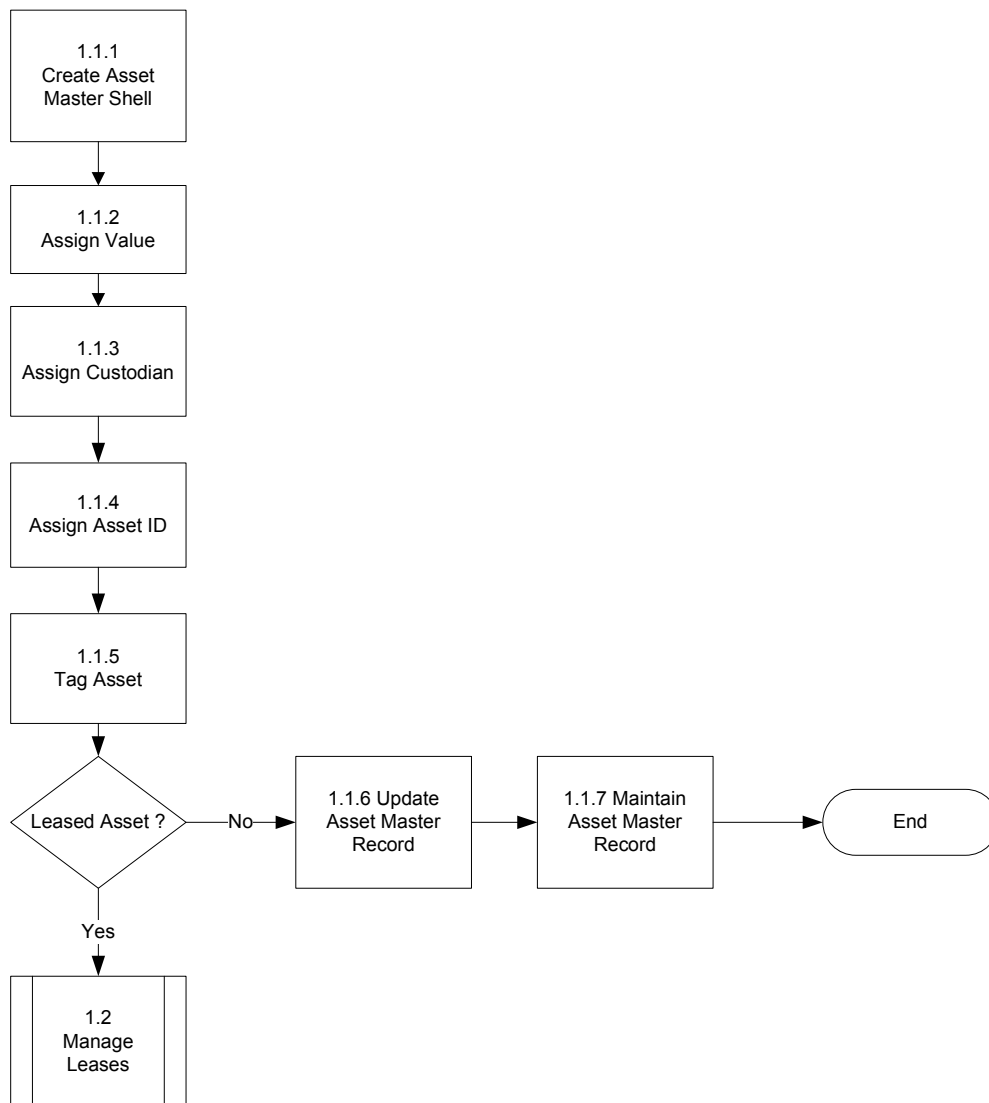
6. Process Thread Detail Description

This section describes each process thread above with a more detailed description.

6.1 Acquire & Maintain Asset Master Record

Exhibit 6-1 - FM06 Fixed Assets – Acquire & Maintain Asset Master Record

FM06-1.1 Acquire & Maintain Asset Master Record



FM06-1.1 – Process Thread Description – Acquire & Maintain Asset Master Record	
Process Description:	<p>Assets are determined by a dollar threshold and/or classification as defined by state or agency policies. Requisitioning, receiving, tagging, invoicing and enabling payment make up the integrated process of acquiring an asset. The asset custodian or asset manager must review and approve the transaction for the asset to be posted to the fixed asset sub-ledger. At the point of purchase, whether using state, federal funds, or grants, the decision must be made if this will be an asset, as defined by policy. A process flow will follow that creates an asset master shell. Acquisition also includes the donation, leasing, construction, and betterment of assets and the managing of warranty information.</p> <p>The asset master shell should capture all available information pertaining to multiple line item purchase orders, multiple fund sources including federal funds, quantities, unit costs, extended costs, grants and warranty information. Information about the asset can be derived from the initial purchase order or during the receiving process. Betterments, improvements, or impairments to assets can be managed. The asset master record must be completed and approved when the invoice is received and payment is enabled. The data included on the asset master record may be updated as necessary. This may include changing custodian, location, serial number, purchase date, valuation criteria, etc. This activity also covers changes in depreciation data required for calculations (e.g., depreciation method, remaining useful life, salvage value etc.). Where possible, defaults and workflows will be utilized to improve accuracy and efficiency.</p>
Improvement Opportunities:	<ul style="list-style-type: none"> • Creating an asset master shell record in the procurement process, and then having the ability to add information to the record as it moves through the receipt, invoice and tagging processes will eliminate redundant data entry and provide commonality between agencies and consistency of asset definition and structure. • Integration between procurement, asset management, lease accounting and the general ledger processes will reduce manual effort and coordination involved in managing and reporting on fixed assets. • The improvement will enable the federal reporting for grants. • Better communication between the acquisition process and the asset management process will provide improved data integrity. • Better communication between the acquisition process and the asset management process will decrease the number of capital expenditures erroneously expensed. • Early creation of an asset master shell during the procurement process offers asset managers a tool to audit asset accounting throughout its life cycle. • Automatically moving assets from Construction-in-Progress (CIP) to the fixed assets system will help reduce errors on the CAFR.
Legal/Policy Reform Impacts:	<p><u>Legal</u> - None identified at this time.</p> <p><u>Policy</u> - CAPP Manual.</p>
Organization/People Impacts:	<p><u>Training</u></p> <ul style="list-style-type: none"> • Training on the system and the new policies and procedures will be required. <p><u>HR Impact</u></p> <ul style="list-style-type: none"> • Hiring or re-training of staff on the overall process may require new job descriptions and have an overall impact on the workforce. <p><u>Policy and Procedures</u></p> <ul style="list-style-type: none"> • The creation of an integrated fixed assets system will require effort and collaboration across agencies.
Assumptions:	<ul style="list-style-type: none"> • Cost Accounting/Time and Attendance modules will provide the ability capture costs associated to equipment rental against a project. • Cost Accounting will support the following FA requirement: <ul style="list-style-type: none"> ▪ The system shall have the ability to assign costs to asset classifications based on user-defined percentages for transfers from construction in progress to final asset classes or other expense line items (e.g., maintenance or pass through to other governments).

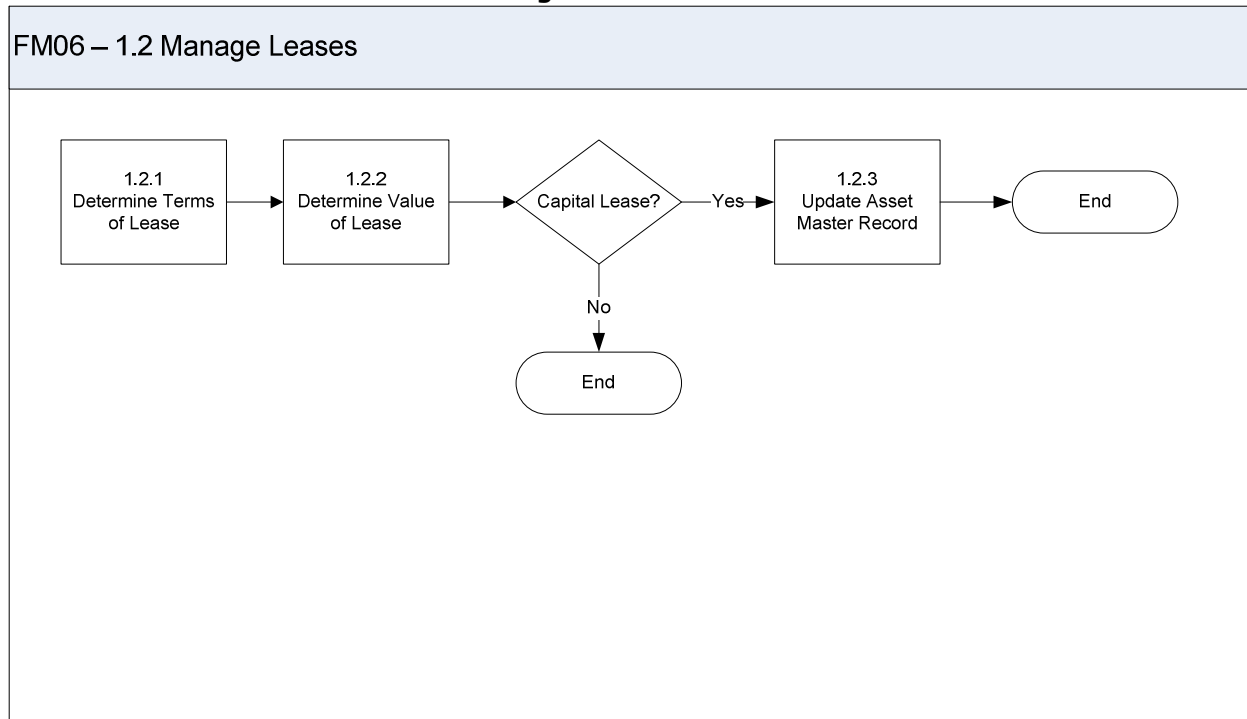
	<ul style="list-style-type: none"> ▪ The system shall provide the ability to identify/record all capitalized costs associated with the construction or purchase/acquisition of an asset. ▪ The system shall provide complete integration with Project Accounting module. ▪ The system shall provide the ability to capture activity/costs resulting from several State agencies working concurrently on a project. ▪ The system shall capture all reportable costs in construction in progress. • Out-of-Scope Agencies who currently utilize FAACS/LAS will need to key asset data into the new fixed asset system and may not benefit from the automatic creation of assets based on data from procurement/accounts payable. This may also impact the assets of In-Scope Agencies whose assets are currently keyed into FAACS/LAS by Out-of-Scope Agencies. • Summary FAACS users will need to utilize the new system for managing asset details or will need to transmit/key asset totals to the general ledger. • The Cost Accounting module will provide users the ability to indicate a project should not result in the creation of a fixed asset. • The Cost Accounting module, through the linking of projects, will allow for the creation of projects and sub-projects. • All costs accumulated under projects that result in the creation of fixed asset should be reviewed and approved to prevent the capitalization of unallowable costs. • The Purchasing module will provide the ability to associate elements such as lease ID and asset ID to purchase card charges during the reconciliation process. • The Purchasing module will provide the ability to send data elements (NIGP codes, etc.) necessary to default asset attributes.
Access Methods:	<ul style="list-style-type: none"> • Web Browser • Barcode reader or other scanning device technology
System Interfaces:	<ul style="list-style-type: none"> • Procurement system • Agency Facilities/Fleet/Equipment systems

Process Details			
ID	Step	Description	Detailed Steps
1.1.1	Create Asset Master Shell	The system will capture all available information pertaining to the asset. In addition the system will default asset attributes such as useful life, location, and depreciation method based on both standard and agency specific reference data.	Step 1: System creates temporary asset master record. Step 2: System records asset attributes including category (land, building, infrastructure, equipment, construction in progress), fund sources, quantities, cost, purchase date, donated indicator, warranty, etc based on information from the purchase order, from the source system for summary users, or as keyed into the system. Step 3: System defaults asset useful life. Step 4: System defaults asset location. Step 5: System defaults asset depreciation method.
1.1.2	Assign Value	If the asset is acquired via the procurement system, the system will capture historical cost based on expenditure information. If an agency acquires an asset via donation or confiscation outside the procurement system, a fair market value must be established using vendors, catalogs or other sources that are available.	Step 1: Determine how asset was acquired. Step 2: Capture all applicable costs for purchased assets including any required ancillary costs such as installation or freight. Step 3: Establish and capture all applicable costs for donated, transferred, or confiscated assets including any required ancillary costs such as installation or freight according to DGS policies.
1.1.3	Assign Custodian	The system will assign each asset to the appropriate custodian and notify either the custodian or the asset manager the asset master record is available for review and approval.	Step 1: System assigns custodian to asset. Step 2: System notifies custodian or asset manager to review system created master record. Step 3: Custodian or asset manager modifies, accepts, or rejects master record. Step 4: Custodian or asset manager approves master record.
1.1.4	Assign Asset ID	Once an asset master record has been reviewed and approved, the system will assign each asset a unique asset ID. The asset ID will be used to retrieve transaction information for the asset.	Step 1: System/Custodian assigns asset ID to approved master record. Step 2: System notifies external Facilities/Fleet/Equipment systems of new asset.
1.1.5	Tag Asset	Agencies must assign asset tag numbers to all assets and affix bar codes with asset tag numbers where appropriate.	Step 1: Determine asset category. Step 2: If asset category is equipment, assign asset a tag number and affix tag number to asset with a bar code tag. Step 3: If asset category is not equipment or equipment is unable to accept a bar code tag, assign asset a unique tag number.
1.1.6	Update Asset Master Record	The asset master record must be updated to reflect the asset tag number assigned to each asset.	Step 1: System updates asset master record with asset tag number.

1.1.7	Maintain Asset Master Record	The system will allow changes to be made to the asset record as necessary to reflect new custodian, location, etc. Also, changes or revisions to incorporate betterments, improvements, impairments, depreciation, re-statements or re-evaluations may be made to the asset record for managing and financial management purposes.	Step 1: Authorized user makes approved change or revision to asset record. Step 2: User ensures appropriate documentation is available to support revision to asset record. Step 3: Authorized user reviews changed record to ensure that change has been made properly.
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6.2 Manage Leases

Exhibit 6-2 - FM06 Fixed Assets – Manage Leases



FM06-1.2 – Process Thread Description – Manage Leases	
Process Description:	In certain situations, the state enters into lease agreements for buildings and equipment, instead of making direct procurements. When this occurs, the system should evaluate the terms of the lease and classify the lease as either a capital or operating lease. In the event of a lease that is classified as capital, a fixed asset master record must be added to the state's books and depreciated over time, just as if it were a direct procurement.
Improvement Opportunities:	<ul style="list-style-type: none"> • The improvement will provide better quality of data for managing lease terms, notification of leases about to expire and better reporting capabilities for agencies and state's financial CAFR. • Through integration with the procurement system, lease information should be captured more accurately for lease evaluation calculations. • As capital and operating lease agreements change during their terms, the new ERP fixed asset system should be able to perform update calculations automatically for payment and depreciation schedules. • By linking this function to the procurement activities, lease calculations should be able to be performed more timely and should be able to be supported by workflow which would route information to the appropriate agency personnel. • The improvement will eliminate the need for agencies to complete lease information related to the year-end reporting for long term and short term debt, additions, changes, retirements to capital lease assets and for associated depreciation expense. In addition, the financial closing entries associated with reversals of rent and reclassifications to interest and principal should be automated.
Legal/Policy Reform Impacts:	<u>Legal</u> - None identified at this time. <u>Policy</u> - CAPP Manual.

FM06-1.2 – Process Thread Description – Manage Leases	
Organization/People Impacts:	<u>Training</u> <ul style="list-style-type: none"> Training on the system and the new policies and procedures will be required. <u>HR Impact</u> <ul style="list-style-type: none"> Hiring or re-training of staff on the overall process may require new job descriptions and have an overall impact on the workforce. <u>Policy and Procedures</u> <ul style="list-style-type: none"> The creation of an integrated fixed assets system will require effort and collaboration across agencies.
Assumptions:	<ul style="list-style-type: none"> The Purchasing module will have the ability to mark a purchased item as a leased asset. The ERP modules will prevent the double counting of leased assets that are sub-leased by another agency.
Access Methods:	<ul style="list-style-type: none"> Web Browser
System Interfaces:	Procurement (eVa)

Process Details			
ID	Step	Description	Detailed Steps
1.2.1	Determine Terms of Lease	System will capture or agencies will enter terms of the lease so the system can determine if lease qualifies as a capital lease.	Step 1: System will capture or agencies will enter terms of the lease.
1.2.2	Determine Value of Lease	System must use terms of the lease to calculate lease cost.	Step 1: Capture lease cost. Step 2: Determine value of lease. Step 3: DOA review of terms and implicit interest rate. Step 4: Obtain approval for material leases with unfavorable terms.
1.2.3	Update Asset Master Record	System will update master record with lease terms and conditions.	Step 1: System updates asset master record with lease terms and conditions.

FM06-1.3 – Process Thread Description – Manage Asset Retirement & Disposal	
	<ul style="list-style-type: none"> • Not accepted by surplus • Obsolete • Destroyed • Stolen • Donation
Improvement Opportunities:	<ul style="list-style-type: none"> • Integrated and consolidated asset data transfers accountability to the owner for those assets requiring retirement and disposition. • Improvement allows the ability to view a list of potential assets for disposition that other agencies could use instead of purchasing new items. • Improvement automates the approval process between the agencies and DGS surplus to reduce time and resources involved and increase accuracy. • Improvement provides integration between asset management and the sale of an asset either on site or via DGS surplus to more efficiently capture gain or loss information for inclusion in year-end reporting (CAFR).
Legal/Policy Reform Impacts:	<p><u>Legal</u> - None identified at this time.</p> <p><u>Policy</u></p> <ul style="list-style-type: none"> • DOA must define item/dollar value thresholds for requiring Gain/Loss data. • CAPP Manual provides policy guidance.
Organization/People Impacts:	<p><u>Training</u></p> <ul style="list-style-type: none"> • Training on the system and the new policies and procedures will be required. <p><u>HR Impact</u></p> <ul style="list-style-type: none"> • Hiring or re-training of staff on the overall process may require new job descriptions and have an overall impact on the workforce. <p><u>Policy and Procedures</u></p> <ul style="list-style-type: none"> • The creation of an integrated fixed assets system will require significant effort and collaboration across agencies.
Assumptions:	<ul style="list-style-type: none"> • The system will require Gain/Loss data upon sale of land, buildings, vehicles, and generally high dollar value items per DOA defined thresholds.
Access Methods:	<ul style="list-style-type: none"> • Web Browser
System Interfaces:	N/A

Process Details			
ID	Step	Description	Detailed Steps
1.3.1	Identify Assets to Dispose	Agency will identify assets that are no longer being used and declare them excess.	<p>Step 1: Identify assets that are no longer being used by the agency.</p> <p>Step 2: Obtain necessary approval for disposal of asset.</p> <p>Step 3: Determine method of disposal: inter/intra agency transfer, disposal, donation, 3rd party auction, transfer to DGS surplus.</p> <p>Step 4: Obtain necessary approval for method of disposal.</p>
1.3.2	Abandon, destroy, or report stolen	<p>If approved, agency may dispose of unusable or damaged asset on site by destruction or abandonment.</p> <p>If asset is lost or stolen, disposal of asset must be approved.</p>	<p>Step 1: Identify asset to be disposed of on site by destruction or abandonment.</p> <p>Step 2: If destroyed on site or abandoned, agency will physically dispose of asset.</p> <p>Step 3: If stolen, capital or state police must be notified.</p> <p>Step 4: Agency will update asset master record to record disposal and indicate disposal method: Abandonment, Lost or Stolen, Casualty Loss, or Cannibalization.</p>

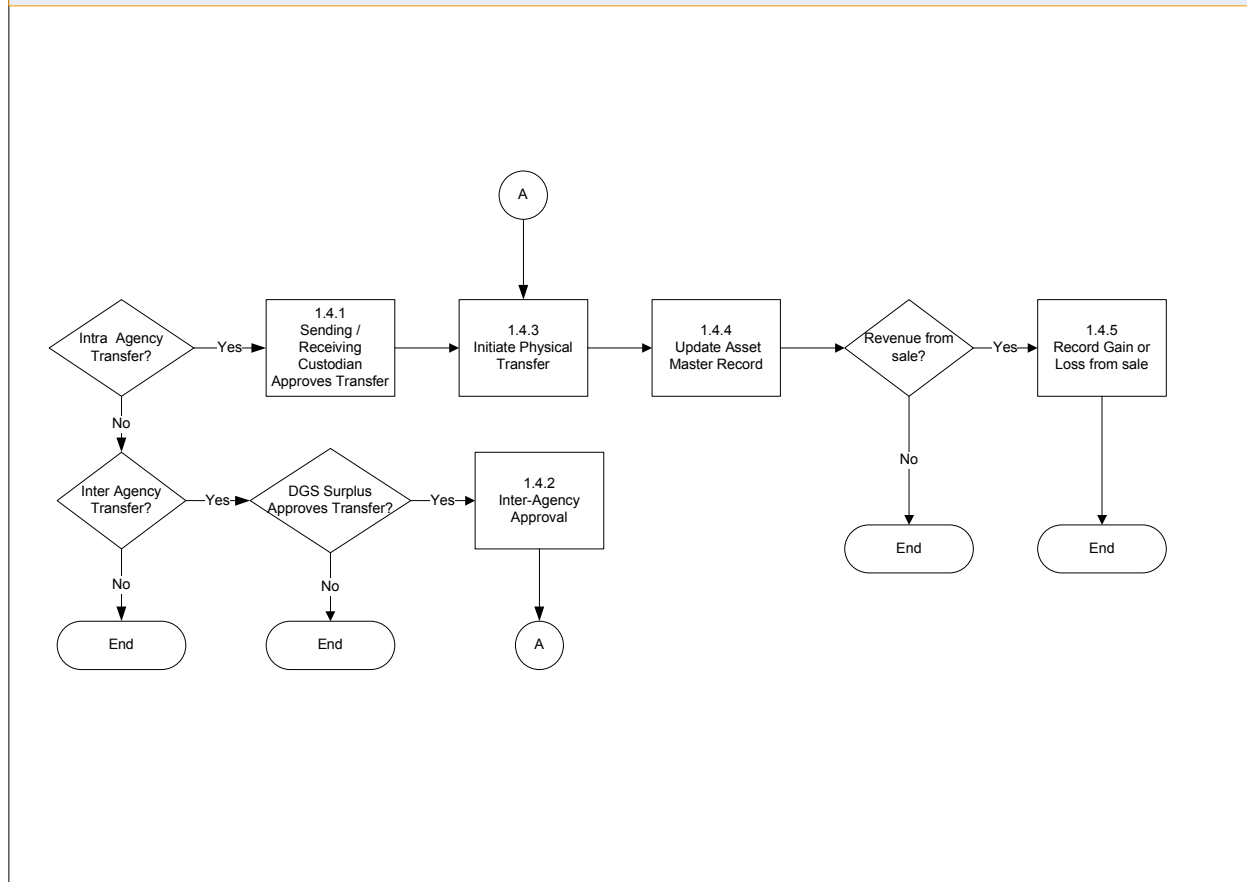
Process Details			
ID	Step	Description	Detailed Steps
1.3.3	Transfer - If needed by another unit	If asset has value, use by another unit within the agency may be appropriate.	Step 1: Advertise available assets to units within the agency. Step 2: Transfer asset to interested unit. See Manage Asset Transfers.
1.3.4	Surplus - If not needed by another unit	If the asset is not needed by another unit, declare asset surplus and prepare documentation of surplus status. Obtain approval for DGS surplus as required. Agency may transfer asset to state surplus distribution center or retain on-site for transfer or disposal by sale or auction.	Step 1: Submit appropriate documentation to DGS state surplus via electronic workflow process. Step 2: Obtain approval. Step 3: If transferred to state surplus distribution center, transfer asset. See Manage Asset Transfers.
1.3.5	List on Surplus Website – If value	Make asset available to other agencies, political sub-division, or school district. Use surplus website.	Step 1: If needed by another agency, transfer asset. See Manage Asset Transfers. If sold to another agency, gain or loss on sale is calculated. Step 2: If agency has retained asset on site at time of sale, agency records disposal. Step 3: If agency does not retain on site it is sent to DGS
1.3.6	Sell at Public Auction	Once the asset has been offered to political sub-divisions or school districts, if not wanted, it may be sold at public auction by DGS state surplus. DGS will use public auction website.	Step 1: If asset is sold at public auction by DGS state surplus, DGS records disposal. System will calculate gain or loss on sale. Step 2: If agency has retained asset on site at time of sale, agency records disposal. Step 3: If agency does not retain on site it is sent to DGS
1.3.7	Sell via 3 rd Party Auction	Alternatively, DGS may arrange for certain VDOT, State Police, and Fleet assets to be sold by 3 rd party auction.	Step 1: If asset is sold via 3 rd party auction, agency records disposal. System will calculate gain or loss on sale.
1.3.8	Donate Asset	If authorized, agency may donate asset to approved entities.	Step 1: Agency authorizes and approves. Step 2: Agency donates asset to approved entity. Step 3: Update asset master record indicating asset was donated.
1.3.9	Record Gain or Loss from Sale or Trade-in	Agency may trade asset in on similar replacement asset. In this case, the agency will determine if trade-in of asset resulted in a gain or loss. If sold by DGS state surplus at public auction, system will calculate gain or loss on sale.	Step 1: Record gain or loss from sale or trade-in of asset. Step 2: System initiates required updates to general accounting. Step 3: If sold by DGS, system notifies agency of sale.
1.3.10	Dispose or Retire Asset	If the agency has retained control of the asset prior to sale or auction, the agency records the disposal at the time the asset no longer belongs to the Commonwealth. If the asset has been transferred to	Step 1: Agency will physically dispose of asset. Step 2: Agency will update asset master record to indicate disposal method: sale or trade-in. Step 3: If DGS state surplus is most recent owner of asset (it has been transferred to

Process Details			
ID	Step	Description	Detailed Steps
		<p>DGS state surplus prior to sale or auction, DGS state surplus records the disposal at the time the asset no longer belongs to the Commonwealth.</p> <p>Based on recording of disposal to asset record, system creates disposal records and initiates required updates to general accounting.</p>	<p>DGS), Agency disposes of asset, DGS does not.</p> <p>Step 4: System creates disposal record.</p> <p>Step 5: Cost and accumulated depreciation removed from system.</p> <p>Step 6: If asset was purchased with federal funds, system generates data for applicable grant or contract.</p> <p>Step 7: System initiates required updates to general accounting</p>

6.4 Manage Asset Transfers

Exhibit 6-4 - FM06 Fixed Assets – Manage Asset Transfers

FM06 – 1.4 Manage Asset Transfers



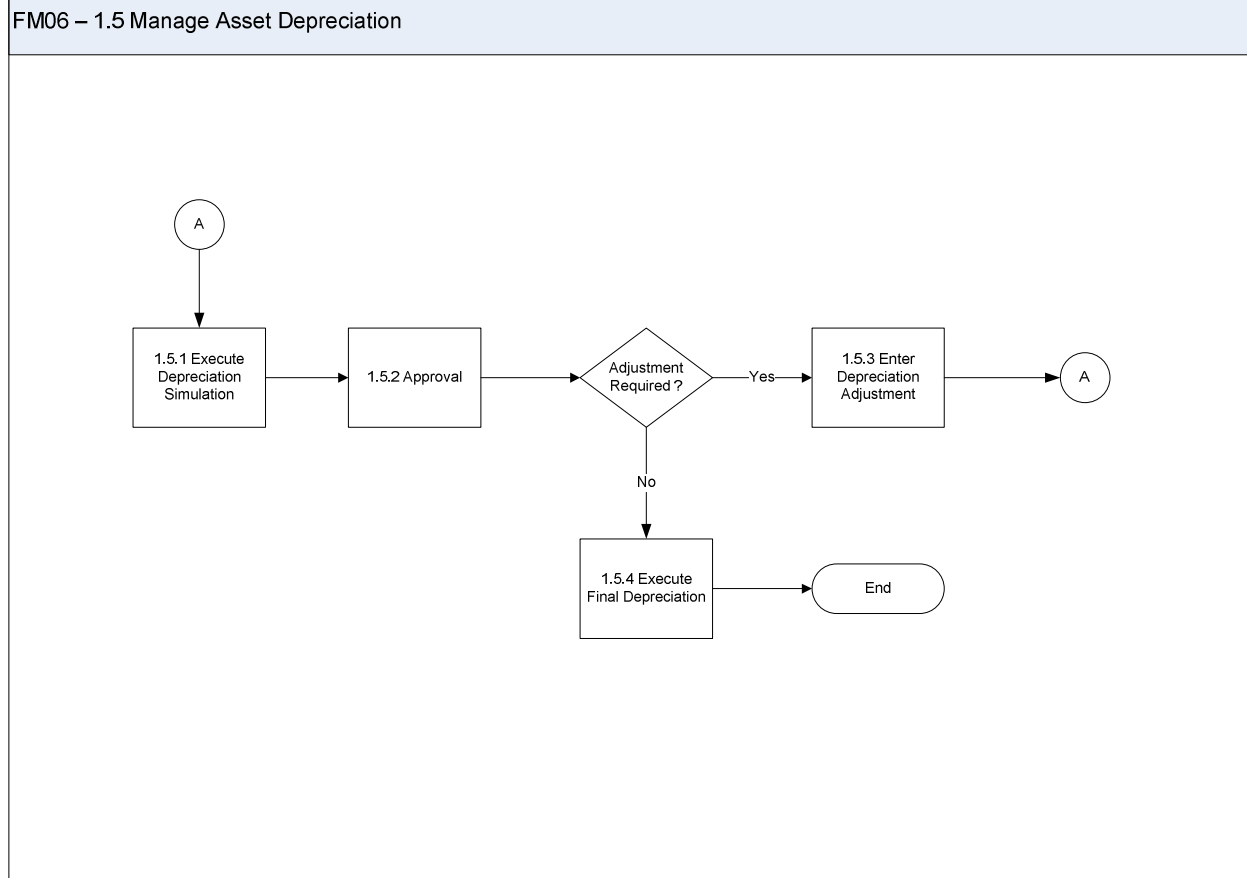
FM06-1.4 – Process Thread Description – Manage Asset Transfers	
Process Description:	Assets may be transferred within an agency from one administrative entity to another (intra-agency) or to another agency (inter-agency). This process thread also includes assets sent to DGS state surplus. Workflow will allow for approval by the receiving agency prior to updating another agency's inventory. Gain or loss on sale of capital assets at DGS state surplus' public auctions must be captured for inclusion in year-end reporting (CAFR).
Improvement Opportunities:	<ul style="list-style-type: none"> With the electronic creation of the DGS state surplus 'turn- in' document, original funding information will be provided in the event of a gain of excess monies as a result of sale.
Legal/Policy Reform Impacts:	<p><u>Legal</u> - None identified at this time.</p> <p><u>Policy</u></p> <ul style="list-style-type: none"> DOA must define item/dollar value thresholds for requiring Gain/Loss data. CAPP Manual.
Organization/People Impacts:	<p><u>Training</u></p> <ul style="list-style-type: none"> Training on the system and the new policies and procedures will be required. <p><u>HR Impact</u></p> <ul style="list-style-type: none"> Hiring or re-training of staff on the overall process may require new job descriptions and have an overall impact on the workforce.

	<u>Policy and Procedures</u> <ul style="list-style-type: none"> The creation of an integrated fixed assets system will require significant effort and collaboration across agencies.
Assumptions:	<ul style="list-style-type: none"> The system will require gain/loss data upon transfer of land, buildings, vehicles, and generally high dollar value items per DOA defined thresholds. Agencies will determine if the system should require the approval of intra-agency transfers. The system will provide an audit trail for use in complying with internal control policies and directives (ARMICS, Senior Management, APA) for the transfer of assets. Agencies will control treatment of their assets. Agencies will have the ability to do multiple depreciation methods.
Access Methods:	<ul style="list-style-type: none"> Web Browser
System Interfaces:	N/A

Process Details			
ID	Step	Description	Detailed Steps
1.4.1	Sending/Receiving Custodian Approves Transfer	The sending and receiving custodians may be within the same agency but in different reporting or organizational units. Each party will approve the transfer and provide custodial and location information.	Step 1: Sending custodian sends receiving custodian transfer request. Step 2: Receiving custodian approves transfer. Step 3: System notifies agency asset control manager of transfer.
1.4.2	Inter-Agency Approval	The sending and receiving agencies will approve the transfer and provide custodial and location information.	Step 1: Sending custodian sends receiving custodian transfer request. Step 2: Receiving custodian approves transfer.
1.4.3	Initiate Physical Transfer	Sending custodian arranges for the physical transfer of assets to receiving custodian or to state surplus distribution center.	Step 1: Transfer asset to receiving custodian or to state surplus distribution center.
1.4.4	Update Asset Master Record	Agency will update asset master record to reflect transfer to another entity or DGS state surplus.	Step 1: If intra-agency transfer, agency asset control manager updates location, organization, and responsible position elements of asset master record. Step 2: If inter-agency transfer: Step 2.1: Asset control manager from sending agency initiates transfer of asset master record. Step 2.2: Asset control manager from receiving agency receives and updates asset master record. Step 2.3: System initiates required updates to the Commonwealth's accounting system.
1.4.5	Record Gain or Loss from Sale	Proceeds from the sale of assets to another agency or at public auction will be recorded and revenue will be returned to the sending custodian.	Step 1: If asset is transferred to another agency and funds are involved, agency will record gain/loss from transaction. Step 2: If asset is transferred to DGS surplus and DGS sells asset at auction, system will record gain/loss from sale. Step 3 System initiates required updates to general accounting.

6.5 Manage Asset Depreciation

Exhibit 6-5 - FM06 Fixed Assets – Manage Asset Depreciation



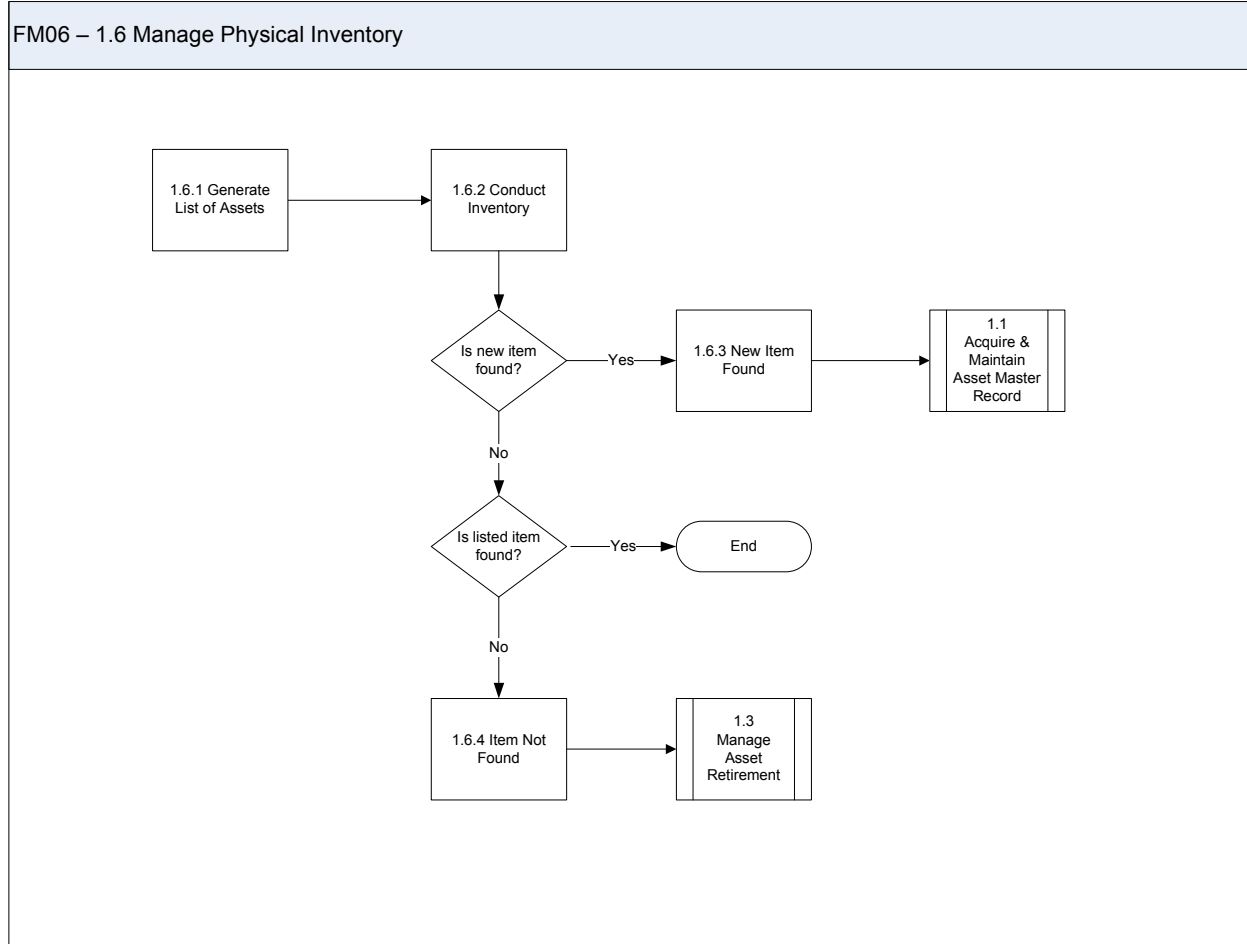
FM06-1.5 – Process Thread Description – Manage Asset Depreciation	
Process Description:	<p>The system runs depreciation automatically on a periodic basis. Running depreciation involves calculating the depreciation and then posting the information to the asset sub-ledger and general ledger concurrently. Depreciation forecasting simulation of asset queries by period is also included in this process thread.</p> <p>At least two accounting alternate depreciation and posting processes are required with the option to add additional others if needed. The first process would contain all the depreciation controls (method, useful life, salvage value, etc.) to provide data as required for DOA's preparation of the comprehensive annual financial report (CAFR). The second process would be configured to meet agency reporting requirements (e.g., statewide cost allocation plan, Medicaid or other federal reporting). The flexibility to assign different depreciation controls (method, useful life, salvage value, etc.) allows agencies to record and report agency specific depreciation needs.</p>
Improvement Opportunities:	<ul style="list-style-type: none"> One system will be able to calculate and post DOA depreciation requirements to both the sub-ledger and general ledger, thus reducing the effort needed to reconcile depreciation. Agency specific processes can be defined to allow depreciation to be calculated differently for federal reporting and grant reimbursement programs. These alternate depreciation and posting processes can be managed by the agency and depreciation controls can be changed as needed.

	<ul style="list-style-type: none"> Integration between the fixed asset system and agency applications will allow for the automation of depreciation entries.
Legal/Policy Reform Impacts:	<u>Legal</u> - None identified at this time. <u>Policy</u> - CAPP Manual.
Organization/People Impacts:	<u>Training</u> <ul style="list-style-type: none"> Training on the system and the new policies and procedures will be required. <u>HR Impact</u> <ul style="list-style-type: none"> Hiring or re-training of staff on the overall process may require new job descriptions and have an overall impact on the workforce. <u>Policy and Procedures</u> <ul style="list-style-type: none"> The creation of an integrated fixed assets system will require significant effort and collaboration across agencies.
Assumptions:	Agencies control of treatment of their assets. Ability to do multiple depreciation methods.
Access Methods:	<ul style="list-style-type: none"> Web Browser
System Interfaces:	N/A

Process Details			
ID	Step	Description	Detailed Steps
1.5.1	Execute Depreciation	System allows the user to execute the depreciation calculations in a test facility without updating the sub ledger or general ledger. The facility enables the asset manager to review depreciation charges at the individual asset level or rolled up to a summary level.	Step 1: System automatically executes depreciation according to schedule. Step 1.1: System will calculate depreciation based on asset's useful life, acquisition cost, and salvage value. Step 1.2: System will not calculate depreciation for controlled assets. Step 1.3: System will create separate records for any additions, renovations, or repairs. Step 2: System sends results for approval.
1.5.2	Approval	Review depreciation calculations and provide approval. Calculations can be reviewed in total by run processes.	Step 1: Results for state processes reviewed by DOA. Step 2: Results for agency processes reviewed by agency.
1.5.3	Enter Depreciation Adjustment	Adjustments made prior to execution of final depreciation.	Step 1: If results are rejected, make adjustments and re-execute depreciation. Step 2: If results are accepted, the system will execute the final depreciation.
1.5.4	Execute Final Depreciation	System will execute final depreciation calculations and post results to general ledger.	Step 1: System calculates depreciation. Step 2: System posts depreciation results to general ledger.

6.6 Manage Physical Inventory

Exhibit 6-6 - FM06 Fixed Assets – Manage Physical Inventory



FM06-1.6 – Process Thread Description – Manage Physical Inventory	
Process Description:	<p>This process thread involves taking physical inventory of fixed assets to ensure that the fixed assets recorded in the system physically exist, determining if unrecorded or improperly recorded transactions have occurred, and identifying any excess, defective or obsolete assets on hand. An effective inventory results in an accurate accounting of fixed assets, and indicates the reliability of the system of accountability for the acquisition, use, and disposal of those assets.</p> <p>Agencies must take physical inventory of assets at least once every two years, but may be taken more frequently depending on the nature, quantity, and value of the fixed assets, and the cost and effort required to perform the inventory. Agencies may conduct wall to wall physical inventories or utilize statistical sampling.</p>
Improvement Opportunities:	<ul style="list-style-type: none"> • Improvement will reduce inventory effort through the expanded use of bar coding and other technology. • Improved data collection will exist for maintaining responsible party and asset location. • Integration between the fixed asset system and agency applications will allow for the automation of inventory results.
Legal/Policy Reform	<u>Legal</u> - None identified at this time.

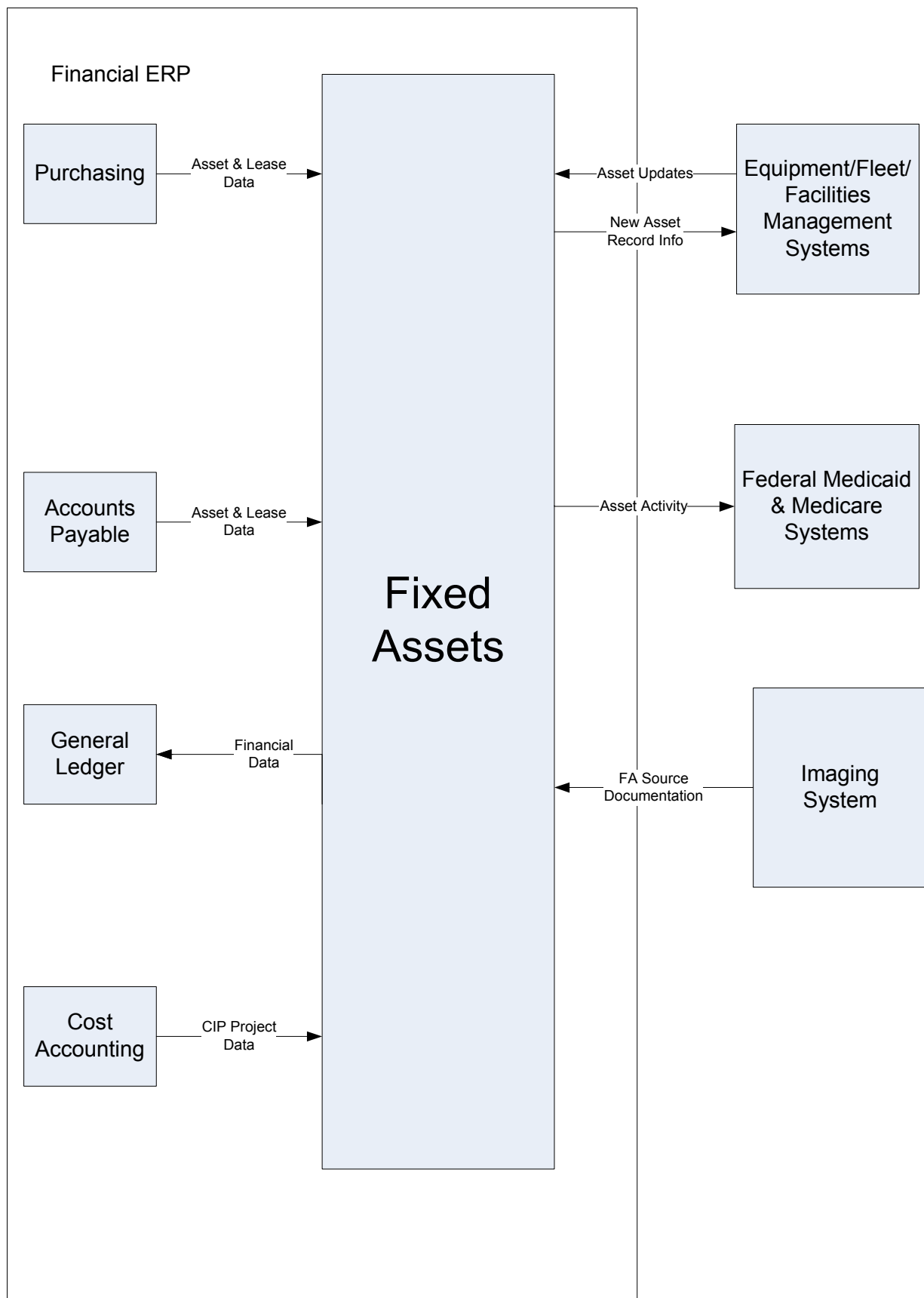
FM06-1.6 – Process Thread Description – Manage Physical Inventory	
Impacts:	<u>Policy</u> - CAPP Manual.
Organization/People Impacts:	<u>Training</u> <ul style="list-style-type: none"> Training on the system and the new policies and procedures will be required. <u>HR Impact</u> <ul style="list-style-type: none"> Hiring or re-training of staff on the overall process may require new job descriptions and have an overall impact on the workforce. <u>Policy and Procedures</u> <ul style="list-style-type: none"> The creation of an integrated fixed assets system will require significant effort and collaboration across agencies.
Assumptions:	<ul style="list-style-type: none"> The system will not manage consumable inventory for the financial reporting of inventory balances. Scanning and bar-coding functionality is within the FA module or application.
Access Methods:	<ul style="list-style-type: none"> Web Browser Scanning technology
System Interfaces:	<ul style="list-style-type: none"> Bar coding or other scanning technologies.

Process Details			
ID	Step	Description	Detailed Steps
1.6.1	Generate List of Assets	Identify assets for inventory.	Step 1: Generate report listing of assets for inventory.
1.6.2	Conduct Inventory	Conduct physical inventory of assets.	Step 1: Determine method of inventory as either wall-to-wall or statistical sampling. Step 2: Conduct inventory. Step 3: Identify any unrecorded or improperly recorded transactions and identify any excess, defective or obsolete assets on hand. Step 4: Examine and update condition of existing assets accounted for during inventory. Step 5: Update last inventory date of existing assets.
1.6.3	New Item Found	New items	Step 1: If excess or unrecorded asset is identified, create asset master record.
1.6.4	Item Not Found	Existing item not found.	Step 1: Retire asset.

7. Data Flow Details

This section details the flows of data both in and out of the business process and will assist in identifying the new system's impact to existing systems and processes.

Exhibit 8-1 - FM06 Fixed Assets – Data Flow Diagram



Data Flow Details			
Entity	Flow	Data Name	Description
Facilities/Equipment/ Maintenance/Fleet Systems	Out	New Assets	The system will send asset ID and description info for new assets to selected Facilities, Equipment, and Maintenance Management Systems to reduce or eliminate the need to key assets into multiple systems.
Facilities/Equipment/ Maintenance/Fleet Systems	In	Asset Updates	The system will be updated by the potential systems that could include: VAPS, PLATS, FICAS, EMS, FASTER.
Imaging System	In	Fixed Asset Source Documentation	The system will receive imaged fixed asset source documentation to be retained for access with fixed asset master records.
Federal Medicaid/Medicare Systems	Out	Fixed Asset activity	The system will have the ability to interface asset activity to Federal Medicaid & Medicare Systems.

8. References

8.1 Information Sources

The documents that were used as references to the *Financial Management - Fixed Assets* business process are as follows:

- Enterprise Business Architecture (EBA) Line of Business 438 Financial Management
- Virginia Enterprise Applications Architecture Initiative Section 3 Financial Management
- Due Diligence Deliverable Financial Management
 - Financial Management Multiple Choice Responses
 - Financial Management Selected Text Responses
 - Financial Management Tower Summary
- Due Diligence Deliverable Administrative Management
 - Administrative Management Multiple Choice Responses
 - Administrative Management Selected Text Responses
 - Administrative Management Tower Summary
- Other State Requirements from Ohio, Tennessee, and Iowa
- Virginia Department of Transportation (VDOT) Financial Management System (FMS) Upgrade project requirements
- Commonwealth Accounting Policies and Procedures (CAPP)
 - 30000 – Fixed Asset and Lease Accounting
 - 70200 - CARS

- 70300 – FAACS Online
- 70600 – Lease Accounting System (LAS)
- DGS – Agency Procurement and Surplus Property Manual (APSPM)

8.2 Definitions, Acronyms and Abbreviations

The terms defined for the *Financial Management - Fixed Assets* Future State Environment document are as follows:

Term	Definition
APSPM	Agency Procurement and Surplus Property Manual
CAFR	Comprehensive Annual Financial Report
CAPP	Commonwealth Accounting Policies and Procedures
CARS	Commonwealth Accounting and Reporting System
CIP	Construction in Progress
COTS	Commercial off the Shelf
DGS	Department of General Services
DOA	Department of Accounts
EBA	Enterprise Business Architecture
ERP	Enterprise Resource Planning
FAACS	Fixed Asset Accounting and Control System
FM	Financial Management
FMS	Financial Management System
FTE	Full Time Equivalent
GASB	Governmental Accounting Standards Board
GPFS	General Purpose Financial Statements
LAS	Lease Accounting System
SOW	Statement of Work
VDOT	Virginia Department of Transportation
VEAP	Virginia Enterprise Applications Program
Workflow	Workflow is the movement of documents and/or tasks through a business process. Workflow is the organization, routing and notification of a defined event via a paper or electronic document trail within the Commonwealth and across agencies. A workflow event does not necessarily require approval or action.

The definitions of the shapes used in the diagrams in Section 2 of the *Financial Management – TALL* Future State Environment document are as follows:





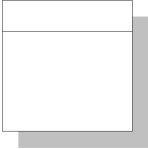

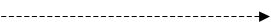



Diagram Shape	Definition
	Server symbol represents a server or feeder system transmitting data to or receiving from the main system.
	Main System represents mainframes or the future ERP solution.

Diagram Shape	Definition
	User/Manual interaction symbol.
	Paper document symbol.
	Application symbol.
	Required function symbol.
	Optional function symbol.
	Use the group box symbol around multiple symbols to simplify and/or emphasize functions specific to a group i.e. in-scope/out-of-scope agencies.
	Connector symbol is used to avoid crossing of lines and maintain flow going from left to right.
	Agency symbol is used to represent internal/external agencies or organizations involved in the process. It is unknown at this time if a system exists.

The definitions of the shapes used in the diagrams in Section 5 of the *Financial Management – TALL* Future State Environment document are as follows:


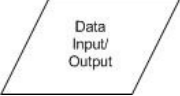
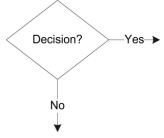


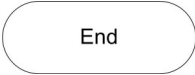
Diagram Shape	Definition
	Pre-defined Process symbol is used to represent the defined process threads.
	Data input/output symbol represents incoming or outgoing data.
	Decision symbol is used when the process requires a decision to proceed.

Diagram Shape	Definition
	Directional Arrow symbol is used to reflect flow from one symbol to the next.
	Connector symbol is used to avoid crossing of lines and maintain flow going from left to right.
	End Symbol is used to end the process.

The definitions of the shapes used in the diagrams in Section 6 of the *Financial Management – TALL* Future State Environment document are as follows:


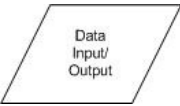
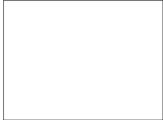
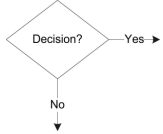



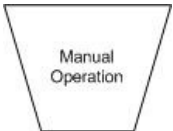
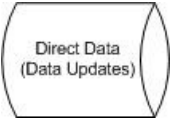
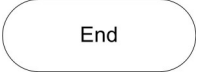


Diagram Shape	Definition
	Pre-defined Process symbol is used to represent the defined process threads.
	Data input/output symbol represents incoming or outgoing data.
	Process symbol is used to represent the process thread steps.
	Decision symbol is used when the process requires a decision to proceed.
	Directional Arrow symbol is used to reflect flow from one symbol to the next.
	Connector symbol is used to avoid crossing of lines and maintain flow going from left to right.
	Paper document symbol.
	Manual Operation symbol.

Diagram Shape	Definition
	Direct Data updates symbol.
	End Symbol is used to end the process.

The definitions of the shapes used in the diagrams in Section 7 of the *Financial Management – TALL* Future State Environment document are as follows:

Diagram Shape	Definition
	Entity symbol outside of the ERP represent external system interfaces. Entity symbol inside of the ERP represent interaction between internal modules.
	Directional Arrow symbol is used to reflect flow from one symbol to the next.

Appendix A – Product Requirements – Reference RFP Section 5